Annual Report

For Year Ending
December 31, 1987

Alberta
AUTOMOBILE INSURANCE BOARD

CCA-08 003

Alberta

CONSUMER AND CORPORATE AFFAIRS

Office of the Minister

104 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable Dr. David J. Carter
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Alberta Automobile Insurance Board for the year ending December 31, 1987.

Sincerely,

ELAINE J. McCOY
Minister of Consumer and Corporate Affairs
M.L.A. for Calgary West

Alberta
AUTOMOBILE INSURANCE
BOARD

19th Floor, 10025 Jasper Avenue, Edmonton, Alberta, Canada T5J 3Z5 403/427-5428

The Honourable Elaine J. McCoy
Minister of Consumer and Corporate Affairs
Legislative Building
Edmonton, Alberta

Honourable Madam:

Pursuant to R.S.A. 1980, Chapter 1-5, the Insurance Act, Section 344(2), we respectfully submit herewith, the fifteenth report of the Alberta Automobile Insurance Board, for the year ending December 31, 1987.

A.H. Wachowich, Chairman

P.G. Galway

J.M. Tweddle

A.G. Eccles

ALBERTA AUTOMOBILE INSURANCE BOARD

1987 ANNUAL REPORT

The Alberta Automobile Insurance Board, constituted under subsection 338(1) of The Insurance Act, is empowered under section 339 thereof to investigate any matters it thinks fit respecting automobile insurance in Alberta, and to approve rates charged by insurers for compulsory automobile coverage under The Motor Vehicle Administration Act.

RATES

Insurers conducting business in Alberta are required by The Insurance Act to report their experience to a Canadian statistical plan, the results of which are compiled annually in a publication called the Green Book. The 1986 statistics in the Green Book, released in May 1987, and half-year update released in August 1987, were analyzed by the Board's actuarial consultant. These analyses were used in weighed proportions with the insurer's own statistics and those of insurance underwriting groups to establish a base for any rate maintenance or rate change to be considered by the Board. The loss experience remained relatively stable for the years 1982 through 1984. The 1985 results showed a marked deterioration, particularly for Private Passenger vehicles, which continued on through 1986. Increases in both frequency and average cost per claim signalled another round of premium increases.

MARKET

The trend toward premium increases that began during the second half of 1985, continued through 1987. However, the competitive element that had resulted in a depressed premium level for a period prior to mid 1985, again exerted its influence. Increases were modest and in two cases, approved increases were reversed or abandoned in an effort to either stem the loss of or preserve market share. These steps were taken in spite of adverse results for Private Passenger vehicles.

Historically, competition has never been quite so intense for Commercial as for Private Passenger automobile business. As a result, premiums have been maintained at more adequate levels and results remained relatively stable for the years 1982 through 1986. The restriction in market that had adversely affected many operators over the previous two years gradually abated over the course of 1987. In the final quarter, a number of insurers moved to reduce premium level and are again soliciting commercial business. There are exceptions to this phenomenon, most particularly, long haul operations into the United States.

The Facility Association is the industry's mechanism for providing insurance coverage to those consumers encountering difficulty in obtaining the same in the regular market. The Board monitors the Association's program for all coverages.

After a period of declining premium volume, the trend reversed and Facility Association experienced continuous growth between June 1985 and July 1987. That growth is attributable mainly to other than Private Passenger vehicles. The decline in volume for each month since July 1987 in comparison to the same month of the previous year is a further indication of increased market availability.

MEETINGS

In 1987, the Board held 10 meetings during which 93 applications were examined. This number compares with 94 applications in 1986, 110 in 1985, 138 in 1984, 170 in 1983, 198 in 1982, 174 in 1981, and 90 in 1980. In 1987, a total of eighteen applications were not approved as submitted. Four applications were declined of which one was revised and resubmitted as a new application. Another fourteen applications were approved subject to specified modifications.

One insurer was found to have introduced a change to their rating program without the prior approval of the Board. The Board directed that all premium collected as a result of the unapproved charge be returned to insureds. The premium returned was in excess of $200,000.

LIAISON

Representatives of the Automobile Insurance Board met with the executive members of the following industry associations during 1987 in order to maintain dialogue with the industry's various component groups:

Insurance Bureau of Canada
Insurance Brokers Association of Alberta
Facility Association
Alberta Operating Committee for Facility Association
Canadian Federation of Insurance Agents and Brokers

and also attended the conference for:

Association of Superintendent of Insurance of the Provinces of Canada
Insurers Brokers Association of Alberta

These meetings occurred between February and November 1987.

INQUIRIES

Inquiries and complaints are monitored for unfair and inequitable rules and practices. Complaints are assessed for compliance with rates and rules, and are generally resolved by the provision of a detailed explanation. Appropriate action to rectify the disparity for the individual and/or the general public is taken by the Board. Of the 806 inquiries received by the Board office in 1987, 120 were redirected to other government departments.

BENEFITS

The increase in the compulsory Third Party Liability limit from $100,000 to $200,000 as of January 1, 1986 places Alberta at a level at least equal to any other Canadian jurisdiction. However, the Board recognizes the critical importance of adequate limits and continues to maintain its recommendation of a compulsory limit of at least $300,000 which would involve an increase of approximately 4% to the Third Party Liability premium.

STAFF

Susan Steeves, B.A., F.I.I.C., continued as Administrator to the Board. Marlene Boyarzin has been employed with the Board as a clerk typist since September 1987.

MEMBERSHIP ON THE BOARD

There were no changes in Board membership during 1987.

GENERAL

There have been a number of developments in the Province of Ontario which are expected to impact upon the automobile insurance market in Alberta.

The Ontario Government is expected shortly to release the Report of Commission of Inquiry into Motor Vehicle Accident Compensation in Ontario. The Honourable Mr. Justice Coulter Osbourne and two members of his Commission travelled to Alberta and met with this Board in April 1987, as part of their information gathering process.

Although the appeal from the decision of the Divisional Court in Bates v. Zurich Insurance Company was filed by the Ontario Human Rights Commission, due to the recent initiatives announced by the Ontario Government, there has been some doubt as to whether the Commission would proceed further with the appeal. However, prior to the March 31, 1988 deadline, the Commission applied to the court for leave to perfect their appeal and counsel for the Insurance Bureau of Canada has acceded to a six-week

extention. In particular, the Ontario Government has enacted legislation which creates an automobile insurance rate setting and review board. It is developing a classification system for use by the Board. It has stated an intention to amend the Ontario Human Rights Code to prohibit the use of the factors of age, gender and marital status in automobile insurance rating.

However, the decision of the Ontario Divisional Court in the Bates case may well be persuasive authority in Alberta since the provision of the Ontario Human Rights Code under consideration there is very similar to the corresponding provision of the Alberta statute which is section 11.1 of The Individual's Rights Protection Act.

There has yet been no legal challenge to the automobile insurance rating practices in Alberta which have remained unchanged despite the modifications implemented in the province of Ontario. The Alberta Automobile Insurance Board has discussed with the executive members of the Insurance Bureau of Canada the changes to the system which are being implemented in Ontario.